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DREADNOUGHT
INVESTMENTS
Limited

ANNUAL REPORT 1968



DREADNOUGHT INVESTMENTS LIMITED

(Incorporated under the laws of the Province of Ontario)

HEAD OFFICE: 570 Upper James Street, Hamilton, Ontario

OFFICERS

President: CECIL E. LESTER

Vice-President: STEPHEN M. FLETCHER

Vice-President: GRANT W. PHINNEY

Secretary-Treasurer: GLADYS M. BRYSON

Solicitor:

JAMES D. McKEON OF LANGS, BINKLEY, O'NEAL & McKEON

Auditor:

FENTON, SWING & SINNAMON, Chartered Accountants

Investment Consultants:

GRANT W. PHINNEY LIMITED

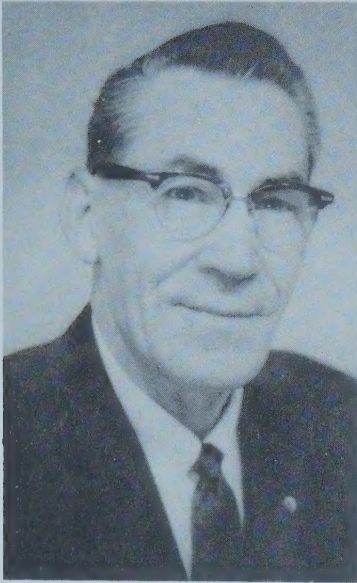
Bank:

THE BANK OF NOVA SCOTIA

DIRECTORS

ALAN D. CLARK	BURLINGTON
<i>Comptroller and Secretary-Treasurer, Adam Clark Company Limited</i>	
FRANK A. COOKE	HAMILTON
<i>Assistant General Manager, Hamilton Street Railway</i>	
STEPHEN M. FLETCHER	HAMILTON
<i>Manager, Central Ontario Branch, Canada Life Assurance Company</i>	
SAMUEL J. HAMILTON	GRIMSBY
<i>Buyer, International Harvester Company</i>	
CRAIG M. HARTLEY	DUNDAS
<i>Vice-President, Grant W. Phinney Limited</i>	
CECIL E. LESTER	BURLINGTON
GLADYS M. BRYSON	HAMILTON
JAMES D. McKEON	HAMILTON
<i>Partner: Langs, Binkley, O'Neal & McKeon</i>	
GRANT W. PHINNEY	BURLINGTON
<i>President, Grant W. Pinney Limited</i>	
JAMES L. THOMPSON	BURLINGTON
<i>General Manager, Hoffman Bros. Limited</i>	

PRESIDENT'S REPORT



Your company has continued to make steady progress during the past year. Profit after taxes remained at the same level as the year previous. Changes presently under way should have the effect of substantially increasing revenues and profits in the future. Additional plans are being prepared to provide for future diversity by the acquisition of other companies.

At the end of May the company purchased an additional 35,898 common n.p.v. shares of Haticat Holdings Limited at a cost of \$15,329.33. These shares are subject to call on the unpaid portion to the extent of \$20,659.67. As a result of this purchase the company now owns 97.05% of the outstanding shares.

Haticat Holdings Limited are operating in the real estate field by way of investment property and resale. At this point six residential properties show on the company's books as costing a total of \$53,478.00. They are located in areas zoned for multiple housing. Two sites are suitable in size for apartment development without further addition. Plans are to substantially increase both the holdings of similar property and the acquisitions for resale. It is anticipated that earnings and net profit will increase substantially as a result. The purchase of a substantial plottage of commercial land, well located in central Hamilton, is about to be completed. It is anticipated that the income will pay the carrying charges and yield a profit. The scarcity of similar plottage of this size makes this purchase an attractive investment.

It is not intended that investment in mortgages through Montiga Investment Limited will increase this coming year. Revenue should increase slightly due to re-investment of funds at a higher yield. This will likely be offset by increases in costs and the net income will, therefore, remain at approximately the same level.

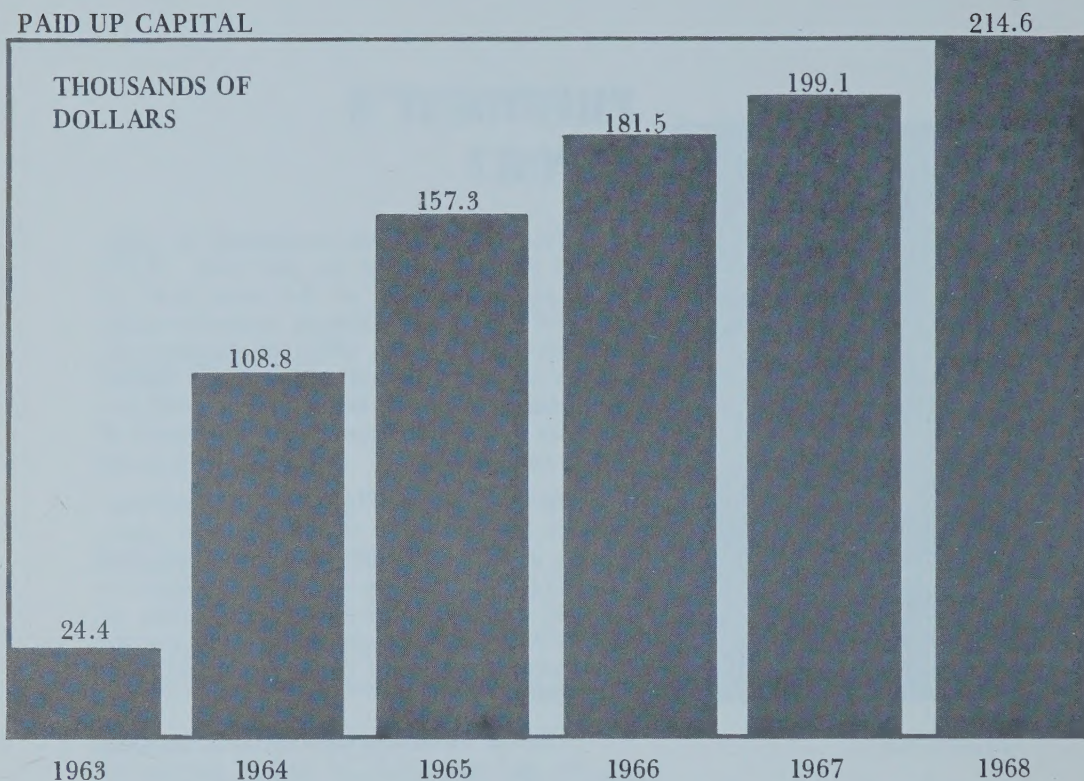
Our Company's steady progress and dividend payment record should provide a favourable background for any expansion that may be undertaken in the future. The company now has 93 common and 27 preferred shareholders, scattered from Quebec to British Columbia. It is indeed a pleasure to again report our progress and express our faith in the future.

C. E. Lester,

President.

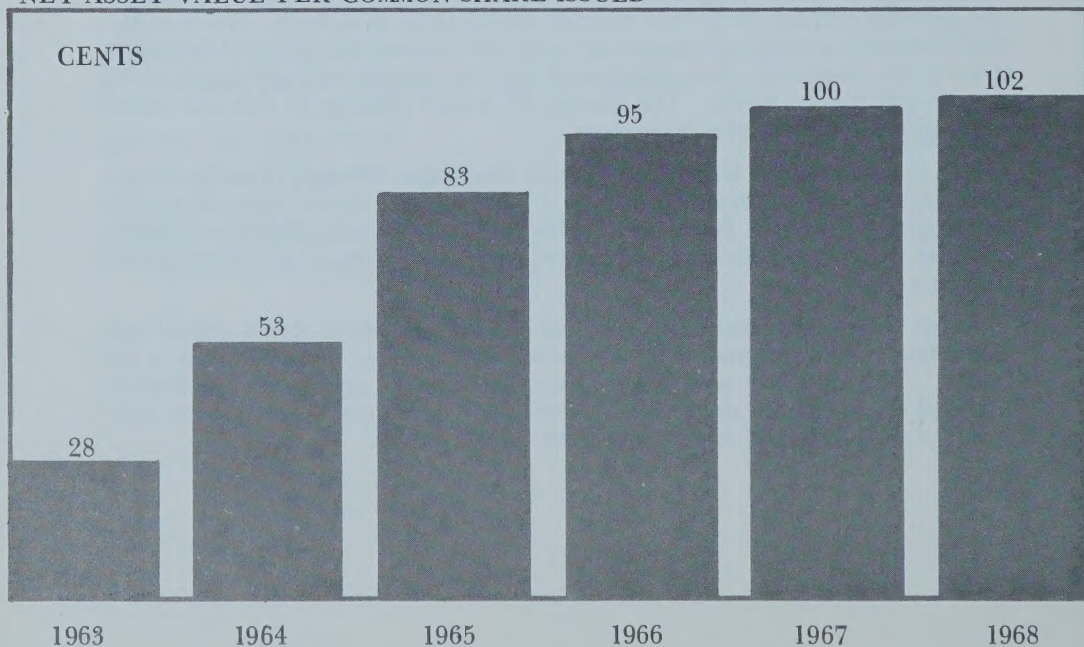
PAID UP CAPITAL

THOUSANDS OF
DOLLARS



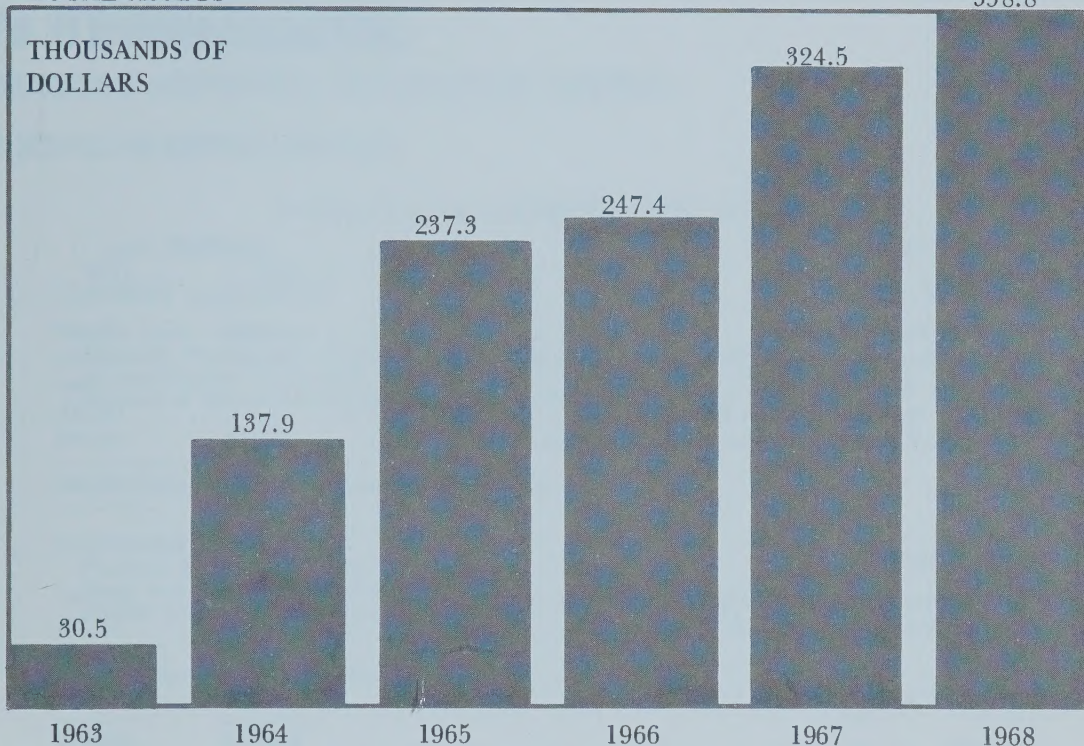
NET ASSET VALUE PER COMMON SHARE ISSUED

CENTS



TOTAL ASSETS

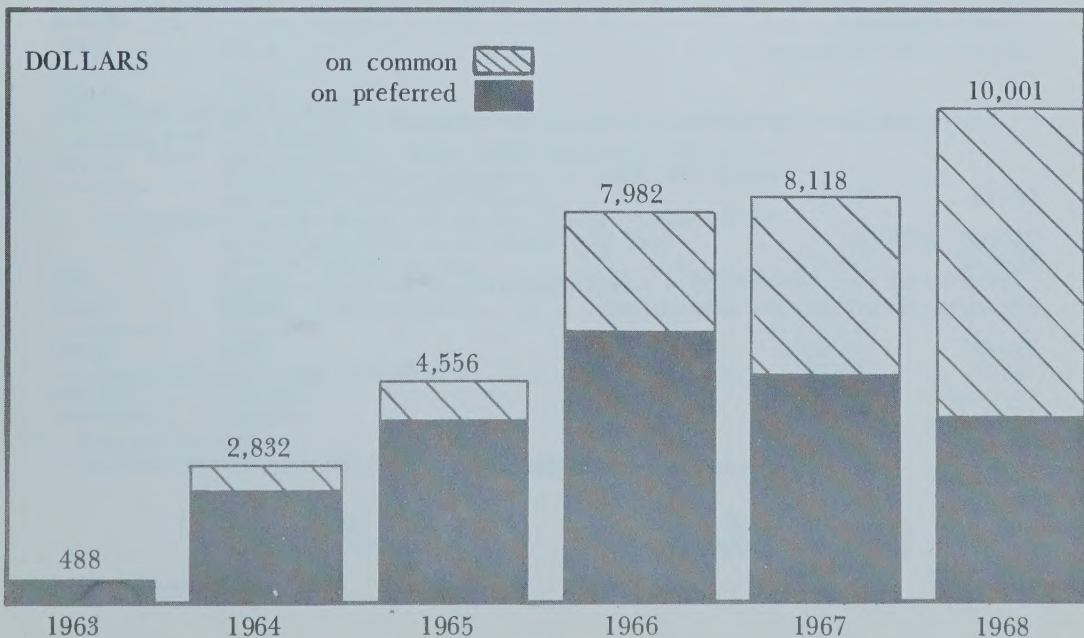
THOUSANDS OF
DOLLARS



TOTAL DIVIDENDS PAID

DOLLARS

on common 
on preferred 



DREADNOUGHT INC.

AND ITS SUBSIDIARIES — MONTIGA INVESTMENT

CONSOLIDATED BALANCE SHEET

ASSETS

	AUGUST 1967	31st 1968
CURRENT ASSETS		
Cash in Bank Accounts	6,246	9,060
Market Securities at Cost (Market Value \$12,065) Pledged	11,416	11,416
Accounts Receivable	—	634
Property Held for Resale at Cost	—	16,188
Amount of Investments Due Within One Year	38,236	35,375
	<u>55,898</u>	<u>72,673</u>
INVESTMENTS		
Notes, Mortgages and Agreements Receivable	279,657	271,540
Less Amounts Due Within One Year	38,236	35,375
	<u>241,421</u>	<u>236,165</u>
Less Provision for Loss	5,009	6,349
	<u>236,412</u>	<u>229,816</u>
Common Shares of Haticat Holdings Limited at Cost	29,450	—
	<u>265,862</u>	<u>229,816</u>
FIXED ASSETS — AT COST		
Rental Properties	—	53,478
Furniture and Equipment	1,207	1,207
	<u>1,207</u>	<u>54,685</u>
Less Accumulated Depreciation — Furniture and Equipment	388	551
	<u>819</u>	<u>54,134</u>
OTHER ASSETS		
Incorporation Cost Unamortized	—	563
Mortgage Acquisition Costs Unamortized	1,888	1,612
	<u>1,888</u>	<u>2,175</u>
	<u>324,467</u>	<u>358,798</u>

Approved on Behalf of the Board

G. M. Bryson,

Director

C. E. Lester,

Director

STMENTS LIMITED

S LIMITED AND HATICAT HOLDINGS LIMITED

T AS AT AUGUST 31st, 1968

LIABILITIES AND SHAREHOLDERS' EQUITY

	AUGUST 31st	
	1967	1968
CURRENT LIABILITIES		
Bank Loan — Secured	22,500	25,000
Accounts Payable and Accrued Expenses	1,348	4,123
Accrued Income Taxes on Earnings	2,518	632
Amount of Deferred Liabilities Due Within One Year	15,893	22,158
	<u>42,259</u>	<u>51,913</u>
DEFERRED INCOME — Bonuses on Mortgages	33,945	25,313
	<u>33,945</u>	<u>25,313</u>
DEFERRED LIABILITIES		
Provision for Income Taxes		764
Notes and Mortgages Payable	27,349	66,791
Haticat Holdings Limited re Capital Stock	22,799	—
	<u>50,148</u>	<u>67,555</u>
Less Amounts Due Within One Year	15,893	22,158
	<u>34,255</u>	<u>45,397</u>
	<u>34,255</u>	<u>45,397</u>
HATICAT HOLDINGS LIMITED — EQUITY IN EXCESS OF COST OF SHARES	—	588
	<u>—</u>	<u>588</u>
MINORITY INTEREST IN HATICAT HOLDINGS LIMITED		
Common Shares Fully Paid	—	852
Retained Earnings	—	40
	<u>—</u>	<u>892</u>
	<u>—</u>	<u>892</u>
SHAREHOLDERS' EQUITY		
Capital Stock (See Note 1)		
9,646 6% Cumulative Redeemable Preference Shares of \$100.00 Par Value Authorized of which 628 Shares are Issued (1967—627 Shares)	62,700	62,800
1,200,000—Common Shares of no Par Value Authorized of which 163,915 Shares are Issued Fully Paid (1967—138,972 Shares)	122,999	147,942
98,196—Shares are Issued Partially Paid— (1967—122,506 Shares)	122,506	98,196
	<u>308,205</u>	<u>308,938</u>
Less Amounts Unpaid (See Note 2)	109,086	94,287
	<u>199,119</u>	<u>214,651</u>
Retained Earnings —		
Per Statement on Page No. 8	14,889	20,074
	<u>214,008</u>	<u>234,725</u>
	<u>324,467</u>	<u>358,798</u>
	<u>324,467</u>	<u>358,798</u>

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
MONTIGA INVESTMENTS LIMITED AND
HATICAT HOLDINGS LIMITED

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED AUGUST 31st, 1968

Retained Earnings September 1st, 1967	14,889
Net Profit for the Year Ended August 31st, 1968	15,233
	<hr/>
	30,122

Deduct:

Amortization of Incorporation Expenses	47
Dividends Declared and Paid —	
On 6% Preferred Shares	3,765
On Common Shares	6,236
	<hr/>
	10,048
	<hr/>
Retained Earnings August 31st, 1968	20,074
	<hr/> <hr/>

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
MONTIGA INVESTMENTS LIMITED AND
HATICAT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year Ended August 31st	
	1967	1968
SALE OF PROPERTIES	—	41,700
COST OF PROPERTIES SOLD		
(Including Sales Commissions and Expense \$2,817.00)	—	39,781
GROSS INCOME FROM SALES		1,919
OTHER INCOME		
From Rental Properties		2,509
Interest on Mortgages and Agreements	23,216	22,987
Mortgage Bonuses Amortized	13,681	10,423
Interest and Dividends	626	1,084
Sale of Securities in Excess of Cost	(116)	966
Rent and Other Income	292	754
	<u>37,699</u>	<u>40,642</u>
OPERATING EXPENSES		
Rental Property Expenses	—	687
Advertising and Office Expenses	1,490	3,620
Mortgage Management and Professional Fees	3,681	4,906
Interest on Notes and Mortgages	4,047	4,011
Office Rent and Salaries	4,391	5,194
Mortgage Acquisition Costs Amortized	773	898
Provision for Loss on Investments	1,398	1,340
Life Insurance on Officers	512	566
Depreciation of Equipment	205	164
	<u>16,497</u>	<u>21,386</u>
OPERATING PROFIT	21,202	19,256
Costs Incurred with Respect to Additional Share Issue	1,399	—
PROFIT BEFORE INCOME TAXES	19,803	19,256
Provision for Income Taxes	4,567	4,002
CONSOLIDATED NET PROFIT	<u>15,236</u>	<u>15,254</u>
Majority Interest	15,236	15,233
Minority Interest (2.95% of the Profit of Haticat Holdings Limited Since April 30th, 1968)	—	21
	<u>15,236</u>	<u>15,254</u>

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
MONTIGA INVESTMENTS LIMITED AND
HATICAT HOLDINGS LIMITED

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31st, 1968

Net Assets Beginning of Year		214,008
Net Investment Income		14,267
Sale of Securities	5,500	
Less Cost	4,534	
		<hr/> 966
Principal Retirement and Disposal of		
Portfolio Mortgages		103,501
Subscription Payments and Issue of Shares		15,532
Minority Interest of Subsidiary on Acquisition		871
		<hr/> 349,145
Portfolio of Investments Beginning of Year	291,073	
Portfolio of Investments End of Year	282,956	
		<hr/> 8,117
Cost of Mortgages Added to Portfolio		95,384
Dividends Paid from Investment Income		10,001
Incorporation Expense Amortized		47
Assets of Haticat Holdings Limited at Date of		
Acquisition of Control —		
Real Estate	87,432	
Other	7,934	
		<hr/> 95,366
Less: Relevant Liabilities	67,389	
Less: Holding Company Equity	27,106	
		<hr/> 871
Net Assets End of Year		234,725
		<hr/> 349,145
Net Asset Value per Common Share Issued —		
Beginning of Year		\$1.00
End of Year		\$1.02
Distribution per Share out of Investment Income		
On Preferred Shares — \$6.00 per Share		
On Common Shares — Four Cents per Share		
(Proportionately Reduced with respect to partially paid Shares)		

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARIES
MONTIGA INVESTMENTS LIMITED AND
HATICAT HOLDINGS LIMITED

NOTES ACCOMPANYING 1968 FINANCIAL STATEMENTS

NOTE 1. Capital Stock issued reflects the following changes during the year:

- (1) 1 Preference Share was issued for a cash consideration of \$100.00.
- (2) 633 Common Shares were issued for a cash consideration of \$633.00.
- (3) 24,310 Partially Paid Common Shares were fully paid up and now appear as fully paid shares.

NOTE 2. Amounts unpaid on Common Shares include the following:

- (1) \$ 4,290.50 payable during the year ended August 31st, 1968 with respect to the issuance of 8,196 shares (\$3,905.50 paid to date).
- (2) \$89,997.00 Payable over a four year period ending August 31st, 1972 or upon call by the directors with respect to the issuance of 90,000 common shares to the directors of the company.

NOTE 3. Options have been granted to directors for a total of 5,000 Common Shares at \$1.00 per share to be exercised at any date up to and including August 31st, 1969.

NOTE 4. Dreadnought Investments Limited is contingently liable in the amount of \$39,392. with respect to the unpaid subscription on Common Shares of Haticat Holdings Limited issued in their favour.

October 11th, 1968.

To the Shareholders,
Dreadnought Investments Limited,
570 Upper James Street,
Hamilton, Ontario.

We have examined the Consolidated Balance Sheet of Dreadnought Investments Limited and its subsidiaries, Montiga Investments Limited and Haticat Holdings Limited as at August 31st, 1968, and the Consolidated Statement of Profit and Loss and Retained Earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Retained Earnings and accompanying notes present fairly the financial position of the companies as at August 31st, 1968, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FENTON, SWING & SINNAMON,
Chartered Accountants.

